

MAINE STATE LEGISLATURE

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L.D. 1574

Date: 6/17/25

(Filing No. H-772)

TAXATION

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STATE OF MAINE HOUSE OF REPRESENTATIVES 132ND LEGISLATURE FIRST SPECIAL SESSION

COMMITTEE AMENDMENT "A" to H.P. 1032, L.D. 1574, "An Act to Amend the Credit for Educational Opportunity and Student Loan Repayment Tax Credit"

Amend the bill by striking out everything after the enacting clause and inserting the following:

'Sec. 1. 36 MRSA §5217-E, sub-§2, as enacted by PL 2021, c. 635, Pt. H, §15, is amended to read:

2. **Credit allowed.** For taxable years beginning on or after January 1, 2022, a qualified individual is allowed a refundable credit against the tax imposed by this Part in accordance with the provisions of this section. The credit, with respect to a qualified individual, is equal to the amount of loan payments made directly by the taxpayer to the lender during the taxable year plus the amount of any carryover allowed in accordance with paragraph C and for tax years beginning on or after January 1, 2026, paragraph F, up to a maximum of \$2,500 per year. The credit is created to implement the Job Creation Through Educational Opportunity Program established under Title 20-A, chapter 428-C, referred to in this subsection as "the program."

A. A qualified individual may claim a credit under this section based on loan payments made directly by the taxpayer to a relevant lender or lenders only with respect to loans that are part of the qualified individual's financial aid package and only with respect to loan payment amounts paid directly by the taxpayer during that part of the taxable year that the qualified individual was a resident individual. Refinanced loans or consolidated loans that are part of the qualified individual's financial aid package are eligible for the credit under this section if the refinanced loans or consolidated loans remain separate from other debt, but only in proportion to the portion of the loan payments that are otherwise eligible under this section.

B. Loans obtained from a person related to the qualified individual or from any person by reason of a loan under any qualified employer plan or under a contract referred to in the Code, Section 72(p)(5) do not qualify for the credit under this section. For purposes of this paragraph, a person is considered related to the qualified individual if

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that person meets the criteria listed in the Code, Section 267(b) or Section 707(b)(1). As used in this paragraph, "qualified employer plan" has the same meaning as in the Code, Section 72(p)(4).

C. For taxable years beginning on or after January 1, 2022 and before January 1, 2027, a qualified individual with unused carryover credits pursuant to section 5217-D, subsection 2, paragraph A from the credit for educational opportunity generated in the 10 years from January 1, 2012 to December 31, 2021 may carry over and apply to the credit amount allowed pursuant to this section the portion, as reduced from year to year, of any unused credits.

D. A qualified individual may only receive a credit otherwise allowed pursuant to this section up to a total lifetime credit cap amount of \$25,000.

E. With respect to a qualified individual who received a credit pursuant to section 5217-D that reduced the qualified individual's tax liability or resulted in a refundable credit, to the extent the credit is based on loans included in the financial aid package acquired to obtain a bachelor's degree or associate degree in science, technology, engineering or mathematics in any taxable year beginning on or after January 1, 2019 and before January 1, 2022, the maximum credit allowed under this section is \$3,500 for the qualified individual's taxable year beginning in either 2022 or 2023, whichever taxable year is elected by the qualified individual. Any credit amount allowed in excess of \$2,500 as a result of this paragraph is not applied against the lifetime credit cap under paragraph D.

F. For tax years beginning on or after January 1, 2026, an otherwise qualified individual may carry forward credits for qualified loan payments in excess of the \$2,500 annual limit, up to the lifetime credit cap amount. To the extent that the early payment of the qualifying loan exceeds the maximum \$2,500 credit available to the qualified individual in that tax year, the remainder of the balance paid on the qualifying loan after subtracting the credit amount claimed may be carried forward as a credit under this paragraph available to the taxpayer in subsequent tax years. The total credit received in a tax year, including application of any carry-over credits under this paragraph, may not exceed \$2,500.

(1) Carry-over credit amounts under this paragraph are nonrefundable when claimed and may not reduce the taxpayer's tax liability below zero.

(2) For purposes of this paragraph, notwithstanding subsection 1, paragraph E, subparagraph (2), "otherwise qualified individual" includes a nonresident taxpayer.'

Amend the bill by relettering or renumbering any nonconsecutive Part letter or section number to read consecutively.

SUMMARY

This amendment restructures the changes to the student loan repayment tax credit under the bill to allow a qualified individual under the Job Creation Through Educational Opportunity Program to prepay qualifying loans and carry forward the amount of the

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1 prepayment as carry-over credits, claiming up to \$2,500 per year. The taxpayer is required
2 to meet the ongoing employment requirements of the program but may be a nonresident.

3 **FISCAL NOTE REQUIRED**

4 **(See attached)**

Revised: 06/17/25 **LRL**

132nd MAINE LEGISLATURE

LD 1574

LR 1169(02)

An Act to Amend the Credit for Educational Opportunity and Student Loan Repayment Tax Credit

Fiscal Note for Bill as Amended by Committee Amendment "A" (H-772)
Committee: Taxation

Fiscal Note Required: Yes

Fiscal Note

	FY 2025-26	FY 2026-27	Projections FY 2027-28	Projections FY 2028-29
Net Cost (Savings)				
General Fund	\$0	\$0	\$5,414,780	\$7,989,500
Appropriations/Allocations				
General Fund	\$0	\$0	\$94,780	\$0
Revenue				
General Fund	\$0	\$0	(\$5,320,000)	(\$7,989,500)
Other Special Revenue Funds	\$0	\$0	(\$280,000)	(\$420,500)

Fiscal Detail and Notes

This bill would result in an ongoing revenue decrease to the General Fund of \$5,320,000 in fiscal year 2027-28, and increasing thereafter, in future biennias by allowing taxpayers to carry forward payments made in excess of the \$2,500 Student Loan Repayment Tax Credit limit beginning with tax years on or after January 1, 2026. The bill would also result in an ongoing revenue decrease to the Local Government Fund of \$280,000 in fiscal year 2027-28, and increasing thereafter, in future biennias.

The Bureau of Revenue Services within the Department of Administrative and Financial Services has estimated a one-time General Fund appropriation of \$94,780 in fiscal year 2027-28 would be necessary to fund computer programming costs associated with the provisions of this bill.